

PUBLIC DISCLOSURE

JANUARY 22, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EAST BOSTON SAVINGS BANK

10 MERIDIAN STREET
EAST BOSTON, MA 02128

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **EAST BOSTON SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **JANUARY 22, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Outstanding"

East Boston Savings Bank's (EBSB) CRA performance reflects its commitment in helping to meet the credit needs of its assessment area. The bank's performance in calendar years 2000 and 2001 was evaluated under the CRA Large Institution Examination Procedures, and includes review of the bank's activity under the Lending, Investment and Service Tests.

According to the Lending Test analysis of residential loans originated by EBSB within the various geographies, the majority of the census tracts were penetrated. A slight majority of the residential and small business loans was originated within the assessment area. The bank's lending to businesses with gross annual revenues of \$1 million or less and small business loan penetration within the assessment area's major geographies has enhanced the bank's performance in this regard.

The Investment Test reflects the bank's support of community development through its participation in qualified investments and grants to non-profit organizations within the assessment area. These initiatives benefit affordable housing and community and economic development.

The Service Test indicates that the bank's delivery systems, which consist primarily of branch offices and automated teller machines, are convenient and accessible to all segments of the assessment area. Low- and moderate-income residents and individuals within the assessment area who speak languages other than English benefit from the bank's efforts in providing services to the entire assessment area.

East Boston Savings Bank's rating of "Outstanding" is based upon its exceptional record of ascertaining and helping to meet the credit needs within the entire assessment area in a manner consistent with the bank's resources and capabilities. The individual ratings assigned to the three primary test areas present a more detailed representation of the bank's CRA performance.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **East Boston Savings Bank, East Boston, Massachusetts**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS EAST BOSTON SAVINGS BANK			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory			
Satisfactory		X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

East Boston Savings Bank is a state-chartered financial institution headquartered in East Boston, Massachusetts. The bank is a wholly owned subsidiary of Meridian Financial Services, Incorporated, a bank holding company. The bank has eight full service branch offices including the main office. These branch offices are located in the following municipalities: East Boston (4); Saugus (2); Revere (1) and Winthrop (1). Of the eight branch offices, one is located in a low-income tract and four are located in moderate-income census tracts. EBSB also maintains two loan centers. One loan center is located in East Boston in a moderate-income census tract, and the other is located in Boston's North End, also in a moderate-income census tract. The bank has opened a mortgage center in Lynnfield, which is located in an upper-income census tract.

As of December 31, 2001, the bank had total assets of \$625.6 million. Total loans, as of this date, were \$359.9 million. The total loans-to-asset ratio was 57.5 percent. EBSB is primarily a mortgage lender with loans secured by residential properties accounting for \$219.6 million, or 61.0 percent of the total loan portfolio. Loans secured by nonfarm nonresidential properties account for \$90.7 million, or 25.2 percent of the loan portfolio. Loans on multi-family (5 or more units) residential properties account for \$27.9 million, or 7.8 percent. The remaining portfolio is comprised of construction and land development loans, consumer loans, and commercial and industrial loans, each accounting for less than 5 percent of the total loan portfolio. Refer to the following table for additional information.

Loan Distribution as of December 31, 2001		
Loan Type	Dollar Amount (000)	Percent (%)
Secured by:		
Construction and Land Development	14,877	4.1
1-4 Family Residential Properties	219,618	61.0
Multi Family (5 or more) Residential Properties	27,904	7.8
Nonfarm Nonresidential Properties	90,655	25.2
Commercial and Industrial Loans	4,778	1.3
Consumer Loans	3,610	1.0
Less: Unearned Income	-1,547	-0.4
Total	359,895	100.0

Source: Report of Condition

An analysis of EBSB's loan-to-asset ratio was conducted. The bank's FFIEC Call Reports and UBPR data were utilized to determine the average loan-to-asset ratio for the last eight quarters. The data indicated that the loan-to-asset ratio for that period averaged 56.8 percent. The average loan-to-deposit ratio for the same period was 66.8 percent.

EBSB's assets increased more than 16 percent between March 31, 2000, and December 31, 2001. An increase in deposits of 15.5 percent occurred during the same period.

The bank actively sells residential mortgages in the secondary mortgage market, but retains the servicing rights. Participation in the secondary mortgage market allows the bank to offer a variety of fixed-rate and adjustable-rate mortgage loan products. EBSB primarily sells fixed rate mortgages to the Federal Home Loan Bank (FHLB) or the Federal National Mortgage Association (FNMA). During calendar year 2000, the bank sold 15 loans to the FHLB totaling \$1.5 million and 26 loans to FNMA totaling \$3.4 million. During 2001, the bank sold 141 loans to FHLB totaling \$19.7 million and 20 loans to FNMA totaling \$2.7 million. Subsequently, the bank's loan portfolio grew by 19.5 percent during this period with an emphasis on real estate lending.

EBSB offers real estate, consumer and commercial credit products. These products include, but are not limited to, the following: residential mortgages with terms of up to 30 years; equity lines of credit; equity loans; and construction loans. In addition, various MassHousing loans are available to borrowers with reduced rates and flexible underwriting standards.

The bank maintains a CRA Committee. The committee's responsibilities include reviewing and overseeing the bank's efforts in complying with the letter and the spirit of the Community Reinvestment Act.

The Federal Deposit Insurance Corporation (FDIC) examined EBSB for compliance with the Community Reinvestment Act (CRA) on September 13, 1999. The bank received a rating of "Satisfactory" at that time. The Commonwealth of Massachusetts conducted a CRA examination on November 9, 1998. The bank received a rating of "Outstanding" at that time. Both examinations utilized the Large Bank CRA procedures.

There are no apparent financial or legal impediments that would limit the bank's ability to help meet credit needs within the assessment area. Based upon EBSB's financial condition, size, product offerings, and branch network, the bank's ability to meet community credit needs remains strong.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

East Boston Savings Bank has defined an assessment area in accordance with the requirements of the Community Reinvestment Act. The Community Reinvestment Act requires financial institutions to identify an assessment area in which they intend to focus their lending efforts and in which regulators will evaluate the financial institution's CRA performance. The bank has defined its assessment area as the East Boston section of the City of Boston, and the municipalities of Lynnfield, Peabody, Revere, Saugus and Winthrop, all of which are located within the Boston Metropolitan Statistical Area (MSA). The assessment area is composed of 41 census tracts of which 3 are low-income census tracts, 18 are moderate-income census tracts, 18 are middle-income census tracts and 2 are upper-income census tracts. Census tract income level is determined by the proportion of households within the census tract that fall within specific income levels as defined by the Department of Housing and Urban Development.

Demographic and Economic Data

The 1990 median family income for the Boston MSA was \$48,688. The median family income for the assessment area in 1990 was \$42,240. The HUD estimates of income levels are adjusted annually. The HUD adjusted median income for the Boston MSA for 2000, and 2001, was \$65,500, and \$70,000, respectively.

The 1990 U.S. Census indicates that there are 73,450 housing units in the bank's assessment area, which is comprised of 41 census tracts.

The assessment area's housing stock is comprised of 39.5 percent single-family units, 39.3 percent two to four-family units, 19.8 percent multi-family units, and 2.6 percent mobile home or other housing units. Of the total occupied housing stock, 53.8 percent was owner-occupied and 40.4 percent was renter-occupied. Refer to the following table for additional information.

<i>Selected Housing Characteristics by Income Category of the Geography</i>							
<i>Geographic Income Category</i>	<i>Percentage</i>						<i>Median Home Value</i>
	<i>Census Tracts</i>	<i>Households</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>	
<i>Low</i>	7.3	3.3	3.3	1.0	6.1	4.8	\$104,109
<i>Moderate</i>	43.9	41.6	42.7	27.9	60.2	58.4	\$146,365
<i>Middle</i>	43.9	49.4	48.5	61.9	32.8	34.0	\$180,553
<i>Upper</i>	4.9	5.7	5.5	9.2	0.9	2.8	\$271,650
<i>Total or Median</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>100.0</i>	<i>\$160,955</i>

Source: U.S. Census

The largest portion of the assessment area's population and housing units is located within the City of Revere. Housing stock in most of the assessment area communities consists of single-family dwellings. It is noted that Revere and East Boston have the lowest owner-occupancy rate of all communities within the assessment area. This is reflected in the relatively large number of multi-family rental units in these areas.

The assessment area's real estate prices have been increasing in recent years. In 2001, the median sales price (as reported by Banker and Tradesman) for residential properties in the assessment area ranged from a low of \$170,000 in East Boston to a high of \$365,000 in Lynnfield.

In an effort to gain more information about the assessment area and to identify the credit needs in the area, a community representative was contacted during this evaluation. The contact stated that there was a need for more affordable housing and commercial space, especially in East Boston. According to the contact, all of the local banks are committed and involved in addressing the credit needs of the local area.

According to the 2000 Business Geodemographic Data compiled by CRA Wiz, there are more than 6,000 business establishments that operate within the assessment area. These businesses are heavily concentrated in the retail trade and service industries. The majority of these businesses have gross annual revenues under \$1 million.

The market in which the bank operates is highly competitive. Based on the 2000 Home Mortgage Disclosure Act (HMDA) aggregate data, there were 330 HMDA reporters that originated at least one home mortgage loan in the bank's assessment area. Competitors include local and regional banks such as Fleet National and Eastern Bank, and credit unions such as Saugus Federal Credit Union. All institutions have a strong "hometown" presence. In addition, the bank experiences competition from large national and regional mortgage companies and large banks such as Citizens Mortgage Corporation and North American Mortgage Company.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Outstanding." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The evaluation included an analysis of Home Mortgage Disclosure Act (HMDA)-reportable loans and small business loans reported during the period January 1, 2000, through December 31, 2001. In addition, residential loan data of competing institutions was analyzed for 2000, the latest date available for comparison of aggregate residential loan information.

I. Lending Activity

HMDA Loans

From January 1, 2000 through December 31, 2001, the bank originated 1,060 HMDA-reportable loans totaling \$188,239,000. As the following table indicates, a slight majority of home mortgage loans were originated within the assessment area. Of the total HMDA loans originated during this period, 597 loans or 56.3 percent by number and 49.6 percent by dollar volume, were granted within the bank's assessment area. Although both the number and dollar volume of the bank's loans are considered, the number of originations is weighed more heavily than the dollar volume.

<i>Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
2000	194	49.4	29,739	40.9	199	50.6	42,963	59.1
2001	403	60.4	63,545	55.0	264	39.6	51,992	45.0
Total	597	56.3	93,284	49.6	463	43.7	94,955	50.4

Source: HMDA LAR, Cra Wiz

As noted in the description of the assessment area, the bank is operating within a highly competitive lending environment. Market share data for 2000 was reviewed with respect to this performance criterion.

The market share data is based upon loan information submitted to the FFIEC in 2000 by all HMDA-reportable lending institutions that originated residential real estate loans within the assessment area.

Market share data for the 330 lenders that made loans within the assessment area indicated that East Boston Savings Bank ranked seventh in originated or purchased loans, representing 2.99 percent in market share. Fleet National Bank ranked first with a 5.97 market share. Sovereign Bank ranked second with 5.54 percent in market share.

Loan demand is strong within the assessment area. Residential loan volume in 2001 was more than double that of 2000. Mortgage loans sold between December 2000 and December 2001 totaled 202 for a dollar figure equaling \$27,358,396. Favorable low interest rates since the first quarter of 2000 have resulted in a strong demand for long term fixed-rate mortgage loans.

Small Business Loans

The bank originated 92 small business loans for a dollar total amount of \$17,912,000. Of this total, 19 loans or 20.7 percent of the total number were small business loans secured by residential real estate. Of the total small business loans 53.3 percent of the total number were originated within the assessment area and 42.4 percent of the dollar volume was originated within the assessment area. Similar to HMDA lending, the bank's lending performance within the assessment area improved in 2001, which put a small majority of the originated small business loans within the assessment area. Refer to the following table for more detailed information.

<i>Distribution of Small Business Loans Inside and Outside of the Assessment Area</i>								
<i>Year</i>	<i>Inside</i>				<i>Outside</i>			
	<i>Number of Loans</i>		<i>Dollar in Loans (000s)</i>		<i>Number of Loans</i>		<i>Dollars in Loans (000s)</i>	
	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$</i>	<i>%</i>
<i>2000</i>	19	41.3	2,620	27.0	27	58.7	7,080	73.0
<i>2001</i>	30	65.2	4,969	60.5	16	34.8	3,243	39.5
<i>Total</i>	49	53.3	7,589	42.4	43	46.7	10,323	59.6

Source: CRA Data Collection

II. Geographic Distribution

HMDA Loans

The bank's penetration of census tracts of different income levels is considered good. HMDA-reportable loans originated by the bank were analyzed to determine the extent of loan penetration within the assessment area's low-and moderate-income geographies. For this evaluation period the bank has made at least one loan in all but two census tracts, both moderate-income tracts located in Peabody.

EBSB has made a significant number of loans within moderate-income census tracts in its assessment area, substantially beyond the proportion of owner-occupied housing units within these census tracts. For the two year period combined, the bank made 45.4 percent of its loans within the moderate-income census tracts in its assessment area; however only 27.9 percent of housing units fall within these tracts. The bank made 6.9 percent of its loans in low-income census tracts, which is also substantially less than the 1.0 percent of housing units in low-income census tracts.

The distribution of the bank's HMDA-reportable loans originated within the assessment area's low- and moderate-income census tracts also exceeds the aggregate. The bank made 45.9 percent of its loans in 2000 in moderate-income census tracts, while the aggregate made 34.6 percent. Similarly the bank made 8.2 percent of its loans in low-income census tracts in comparison to the aggregate which made 2.1 percent in such tracts.

In 2000, the bank ranked number one in loans originated in low-income census tracts and third in loans originated in moderate-income census tracts. While no aggregate data is available for 2001, the bank's performance is substantially similar to that of 2000. The bank's performance is an indication of its commitment to extending credit within the assessment area's low- and moderate-income census tracts. It is further noted that the concentration of owner-occupied housing units is within the middle-income census tracts, yet loan distribution is evenly spread among the moderate and middle-income census tracts. The distribution by dollar volume indicates a similar pattern.

<i>Distribution of HMDA Loans by Income Category of the Census Tract</i>								
<i>Census Tract Income Level</i>	<i>% Total Owner- Occupied Housing Units¹</i>	<i>Aggregate Lending Data(% of #)²</i>	<i>³2000</i>		<i>³2001</i>		<i>Total</i>	
			<i>2000</i>					
<i>Low</i>	<i>1.0</i>	<i>2.1</i>	<i>16</i>	<i>8.2</i>	<i>25</i>	<i>6.2</i>	<i>41</i>	<i>6.9</i>
<i>Moderate</i>	<i>27.9</i>	<i>34.6</i>	<i>89</i>	<i>45.9</i>	<i>182</i>	<i>45.2</i>	<i>271</i>	<i>45.4</i>
<i>Middle</i>	<i>61.9</i>	<i>56.0</i>	<i>83</i>	<i>42.8</i>	<i>183</i>	<i>45.4</i>	<i>266</i>	<i>44.6</i>

<i>Upper</i>	9.2	7.3	6	3.1	13	3.2	19	3.1
Total	100.0	100.0	194	100.0	403	100.0	597	100.0

Source: ¹U.S. Census, HMDA LAR, ²CRA WIZ HMDA Aggregate Data, ³HMDA LAR

Small Business Loans

The penetration of small business loans within census tracts of different income levels is considered good. The following table demonstrates the distribution of the bank's small business loans originated within the assessment area by number of loans. For comparison purposes, the table also includes a breakdown by percentage of the more than 6,000 small businesses that operate within the four census tract categories and the 2000 aggregate lending data for small business loans.

<i>Distribution of Small Business Loans by Income Category of the Census Tract</i>								
Census Tract Income Level	% of Total Number of Small Businesses	¹Aggregate Lending Data (% of #)	2000		2001		Total	
			#	%	#	%	#	%
<i>Low</i>	3.2	3.5	3	15.8	2	6.7	5	10.2
<i>Moderate</i>	34.0	30.2	7	36.8	16	53.3	23	46.9
<i>Middle</i>	54.2	56.8	7	36.8	11	36.7	18	36.7
<i>Upper</i>	8.6	9.5	2	10.6	1	3.3	3	6.2
Total	100.0	100.0	19	100.0	30	100.0	49	100.0

Source: CRA data collection, ¹CRA Aggregate Lending Data

The major portion of the local business and development is located within the assessment area's middle-income geographies. Although EBSB is primarily a residential lender, the bank originated 49 small business loans totaling \$7.6 million for the two-year period. The geographic distribution of the bank's small business loans among census tracts of different income levels is higher than the level of business development within the assessment area, especially within the low- and moderate-income census tracts. Small business loans originated within low- and moderate-income tracts represented 52.6 percent of the bank's total small business loans originated in 2000 compared to 33.7 percent for the aggregate.

III. Borrower Characteristics

HMDA Loans

East Boston Savings Bank has also exhibited a good penetration of loans among borrowers of different income levels, particularly low and moderate-income borrowers. For comparison, the distribution of the assessment area's 69,079 households by borrower income level and 2000 aggregate lending data is indicated in the following table.

<i>Distribution of HMDA Loans by Borrower Income</i>								
<i>Median Family Income Level</i>	<i>% Total Households²</i>	<i>2000 Aggregate Lending³ Data (% of #)</i>	<i>2000**</i>		<i>2001</i>		<i>Total</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>Low</i>	29.3	7.2	23	11.9	42	10.4	65	10.9
<i>Moderate</i>	17.4	21.9	53	27.3	107	26.6	160	26.8
<i>Middle</i>	20.9	32.6	55	28.3	137	34.0	192	32.2
<i>Upper</i>	32.4	31.8	56	28.9	91	22.6	147	24.6
<i>NA</i>	0.0	6.5	7	3.6	26	6.4	33	5.5
<i>Total</i>	<i>100.0</i>	<i>100.0</i>	<i>194</i>	<i>100.0</i>	<i>403</i>	<i>100.0</i>	<i>597</i>	<i>100.0</i>

Source: ²U.S. Census, ³CRA WIZ HMDA Aggregate Data , **HMDA LAR

As the above table indicates, East Boston Savings Bank has made a good number of loans to borrowers of moderate-income. During the two-year period reviewed, 26.8 percent of loans were made to moderate-income borrowers; while only 17.4 percent of all households fell within that income category. Similarly, the bank made 10.9 percent of loans to low-income borrowers, although low-income households represent 29.3 percent of all households in the assessment area. However, this penetration is considered reasonable since 10.4 percent of the low-income households are below the poverty level, thus limiting the probability of homeownership. The bank made the majority of its HMDA-reportable loans to middle-income borrowers, or 32.2 percent in that income category.

The number of loans made to low- and moderate-income borrowers has been consistently higher than that of the aggregate. In 2000, the bank made 27.3 percent of HMDA-reportable loans to moderate-income borrowers, in comparison to the aggregate which originated 21.9 percent to that group. In regards to low-income borrowers, in 2000 the bank made 11.9 percent of its loans in that income category, versus 7.2 percent for the aggregate.

To assist lower income individuals in achieving homeownership, however, the bank has offered a number of in-house and government sponsored affordable housing programs. These programs offer expanded debt-to-income ratios and lower downpayment requirements. The success of these programs is reflected in the actual performance presented above.

Small Business Loans

The bank's small business data indicated that all small business loans originated during the period reviewed were granted to businesses with gross annual revenues of less than \$1,000,000.

The distribution of small business loans by loan size was analyzed. EBSB originated a substantial majority of the number of small business loans, by number, in dollar amounts of less than \$100,000. During the period examined, the bank made 57.1 percent of all small business loans in amounts under \$100,000. This reflects the bank's commitment to serving the credit needs of smaller businesses within the assessment area.

<i>Distribution of Small Business Loans by Loan Size</i>							
<i>Loan Size (000s)</i>	<i>Aggregate Lending Data (% of %)*</i>	<i>2000</i>		<i>2001</i>		<i>Total</i>	
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
<i>< \$100</i>	<i>95.9</i>	<i>10</i>	<i>52.6</i>	<i>18</i>	<i>60.0</i>	<i>28</i>	<i>57.1</i>
<i>\$100 - \$250</i>	<i>2.4</i>	<i>7</i>	<i>36.8</i>	<i>6</i>	<i>20.0</i>	<i>13</i>	<i>26.5</i>
<i>> \$250 - \$1,000</i>	<i>1.7</i>	<i>2</i>	<i>10.6</i>	<i>6</i>	<i>20.0</i>	<i>8</i>	<i>16.4</i>
<i>Total</i>	<i>100.0</i>	<i>19</i>	<i>100.0</i>	<i>30</i>	<i>100.0</i>	<i>49</i>	<i>100.0</i>

Source: CRA Data Collection * 2000

IV. Community Development Lending

East Boston Savings Bank has exhibited strong performance under the community development lending criterion. During the period reviewed, the bank provided nine community development loans, for a total dollar amount of more than \$3.3 million. The following is a summary of loans to the various organizations within the assessment area:

- In 2000, a loan for \$165,000 was granted in order to rehabilitate a six-family apartment building in East Boston. This property is located in a moderate-income census tract.
- In 2000, a \$100,000 line of credit, representing an annual modification, was granted to a non-profit preparatory school located in East Boston. Students who attend this school are predominately from East Boston, Revere, and Winthrop.

- In 2000, the bank granted a second mortgage of \$100,000 for reimbursement of renovation expenses incurred on a 12-family apartment building located in Revere. Of the 12 units in the building 11 are restricted for affordable housing.
- In 2000, the bank provided a non-profit organization in East Boston with an annual modification of a \$50,000 unsecured line of credit. This organization provides community services such as counseling, teen recreation, day care, and elderly care to residents of East Boston.
- In 2001, the bank granted a \$2 million commercial mortgage to a non-profit organization that provides comprehensive primary specialty care services to residents of East Boston and surrounding communities. The guarantor for this credit is a local community development corporation (CDC), whose goal is to enhance the quality of life of low- and moderate-income residents through economic development activities. The credit was granted to finance the acquisition and renovation of a nursing home in Winthrop to house 46 Alzheimer patients and provide outpatient care for 62 patients through the Adult Day Health Center on site.
- In 2001, the bank granted a \$620,000 commercial mortgage to a non-profit organization that operates a substance abuse and outpatient mental health clinic for the mentally challenged and mentally ill. The collateral for this loan is one of the organization's 45 branch locations and is located in and serves East Boston.
- In 2001, the bank provided a \$200,000 6-month term note to a local community development corporation for the temporary finance of the remaining construction costs for a 15-unit elderly housing development in East Boston. The goal of this organization is to enhance the quality of life of low- and moderate-income residents through various economic development activities. Currently, this organization provides 258 residential units in 6 separate developments. The development has four low-income elderly/handicapped buildings with 124 units including 47 affordable housing units presently under construction.
- In 2001, the bank granted a second mortgage of \$100,000 for reimbursement of renovation expenses incurred on a 12-family apartment building located in Revere. Of the 12 units in the building 11 are restricted for affordable housing
- In 2001, the bank granted an annual modification of a \$50,000 unsecured line of credit to a non-profit community development organization located in East Boston. This organization provides community services such as counseling, teen recreation, day care, and elderly care to residents of East Boston.

V. Innovative or Flexible Lending Practices

East Boston Savings Bank has developed or participated in innovative and flexible lending programs designed to help meet the credit needs within its assessment area. These programs use flexible criteria and underwriting standards. The following is a summary of these programs.

Residential Lending Programs

East Boston Savings Bank First Time Homebuyer Programs

The bank offers four different in-house first time homebuyer programs. These programs include Plan 3, Plan 5, FXHB, and the fixed Bi-Weekly FTHB. Plan 3 is a 3-year adjustable rate mortgage (ARM) product offered to applicants with a maximum annual income of \$75,000. This program offers flexible housing and debt-to-income ratios of 33/38 percent, and is available for properties located in Suffolk, Essex, and Middlesex Counties. This program requires a downpayment of 20 percent plus ½ point on 1-3 family residences. The bank originated 9 loans totaling \$1.2 million in 2000. The bank originated no loans under this program in 2001.

The Plan 5 program is a 5-year fixed rate mortgage that converts to a 3-year ARM. This product has a maximum income limit of \$75,000. A 5 percent downpayment is required on 1-2 family properties, and a 10 percent downpayment is required on 3-family properties. This product is also offered for properties located in Suffolk, Essex, and Middlesex Counties only. Housing and debt-to-income ratios of 33/38 percent are required for 1-2 family properties, and ratios of 28/36 percent are required for 3-family properties. Borrowers are charged ½ point, and reserves of \$1,500 are required to qualify. Private mortgage insurance is required with the minimum downpayment, and 3 percent of the downpayment must be the borrower's own funds. The bank originated 14 loans totaling \$2.2 million and 21 loans totaling \$3.5 million under this program in 2000 and 2001, respectively.

The FXHB program is also a 5-year fixed rate mortgage that converts to a 3-year ARM. This program is available for properties located in the bank's assessment area. There are no income restrictions. The minimum downpayment is 5 percent and 3 months of PMI reserves are required. The downpayment and reserves must come from the borrower's own funds. Borrowers are charged ½ point and housing and debt-to-income ratios are 28/36 percent. The maximum loan amounts are similar to the Plan 3 and Plan 5 programs. The bank originated 2 loans totaling \$475,000 and 2 loans totaling \$195,000 under this program in 2000 and 2001, respectively.

The fixed Bi-Weekly FTHB is a 30-year bi-weekly fixed rate mortgage. This program is offered on properties located in Suffolk, Essex, and Middlesex Counties. The minimum downpayment is 5 percent, with 0-3 points charged. Housing and debt-to-income ratios are 33/38 percent for 1-2 family properties and 28/36 percent for 3-family properties. Qualified borrowers must have \$1,500 in reserves and 3 percent of the downpayment must be the borrower's own funds. Automatic withdrawals from an EBSB account are required. Maximum loan amounts are \$275,000 for single family properties and \$351,950 for 2-3 family properties. EBSB originated 6 loans in 2000 under this program totaling \$855,000, and 12 loans in 2001 totaling \$2.3 million.

United Guaranty 100 Percent Loan-to-Value

This product is a 5/3 ARM for purchases only. The one-to-three unit property must be located in the bank's assessment area. This product requires two months reserves, which must be the borrowers own funds. The borrower must have no second mortgages or gifts and sales concessions are not allowed. Ratios are 33/38 and ½ point is charged. The maximum loan amounts are Fannie Mae conforming. This product was introduced in 2001 and no loans have been originated to date.

MassHousing (formerly Massachusetts Housing Finance Agency) General Loan Program

This program offers flexible downpayment requirements of 3 percent and below market interest rates. Maximum income and acquisition costs apply. There were no loans originated during 2000 and 2001 under this program.

5/3 ARM LAW (Live Where You Work)

This program, which is sponsored by MassHousing, was introduced in 2001. Single family properties and condominiums are financed at 100 percent and two-to-four family properties are financed up to 97 percent. To qualify under this program, at least one borrower must be a municipal employee in the town in which the property is located. Borrowers must have a minimum credit score of 620 and a minimum of \$500 in savings, or 1 percent of the sales price. Homebuyer counseling is required for loan-to-values higher than 97 percent. The bank originated 1 loan totaling \$246,000 in 2001 under this program.

Bank management indicated that the institution processes many pre-approvals under Mass Housing programs; however, applicants have been unable to find suitable properties that meet the programs' guidelines. Therefore, few pre-approved applications are originated.

Fannie Mae Affordable Housing Solutions

Fannie Mae offers four special mortgage options that promote affordable housing. EBSB has committed to offer these products for sale to FNMA. The four products include:

- FNMA Community Homebuyers Program -This program offers a 5 percent downpayment requirement and no cash reserves at closing. Underwriting ratios are 33/38 percent and maximum income limits are 100 percent of the median PMSA income. Homebuyer education is also required.
- Fannie Neighbors - This nationwide, neighborhood based mortgage program is designed to increase homeownership and revitalization in areas designated as

underserved by HUD. Targeted areas include low- and moderate-income or minority census tracts, or central cities. The income limits under the program is removed if a property is located in one of these areas.

- Fannie 3/2 - This program is similar to FNMA Community Homebuyers Program, but requires fewer funds from the borrower. The required downpayment is 5 percent, but only 3 percent must come directly from the borrower's funds. The remaining 2 percent can come from a relative; federal, state, or local government agency; nonprofit organization; or employer.
- Fannie 97 - This program is designed for the homebuyer with sufficient income to handle the monthly mortgage payment, but insufficient funds for downpayment. This program requires a 3 percent downpayment from the borrower's own funds, and the borrower only needs to have one month cash reserves.

During the evaluation period, EBSB has had little, if any application activity relative to these products.

City of Boston "HomeWorks" Home Improvement Loan Program

This program is offered through the City of Boston Department of Neighborhood Development (DND). This program is designed to help Boston homeowners make affordable home improvements. HomeWorks offers grants for a third of the cost of certain home improvements up to \$3,000 or \$4,000 for exterior paint jobs. In order to participate in this program, the applicant must be an owner-occupant of a one-to-four family house or condominium unit in the City of Boston. In addition, household income cannot exceed \$45,000 for a single person or \$65,000 for two or more persons.

Commercial Loan Programs

"Front Money" Business Façade Improvement Loan Program

EBSB will provide loans for the exterior renovation or façade improvements on commercial real estate (mixed-use or retail) under this commercial lending program. Properties must be located within the business districts of East Boston, Revere, Saugus or Winthrop. Loans are granted in amounts of up to \$15,000. Approvals are typically granted within 3 days of application. EBSB will finance up to 100 percent loan-to-value if the business owner is a Boston Main Street Program recipient. Closing costs of \$400 are charged and cover legal fees, title search, and recording fees. EBSB pays for the appraisal, and title insurance, municipal lien certificate, and plot plan fees are waived. In 2000, the bank committed up to \$500,000 for this program.

VI. Fair Lending Policies and Practices

The bank's Fair Lending Policy addresses specific areas relating to property appraisals. Some members of the bank's staff volunteer time to a variety of area organizations in need of their expertise. Primarily, EBSB markets its services and products to the community through print media and the Internet. Seminars are also conducted in order to make potential customers aware of the services the bank offers. In addition, there are several employees who speak a second language, which aids customers who may not be fluent in English.

Minority Application Flow

A review of the bank's residential loan application flow was conducted. The purpose of the review is to determine the number of applications the bank received from minority applicants.

As indicated in the following table the bank received a total of 754 residential applications from individuals within the assessment area during the two-year period. A total of 103 applications, or 13.7 percent, was received from minority applicants.

MINORITY APPLICATION FLOW								
Race	Aggregate Data 2000 ¹		Bank 2000 ²		Bank 2001		Bank Total	
	#	%	#	%	#	%	#	%
<i>Native American</i>	21	0.2	1	0.4	0	0.0	1	0.1
<i>Asian</i>	163	1.6	1	0.4	7	1.4	8	1.1
<i>Black</i>	115	1.1	1	0.4	0	0.0	1	0.1
<i>Hispanic</i>	555	5.5	24	9.9	41	8.0	65	8.6
<i>Joint</i>	80	0.8	3	1.2	10	2.0	13	1.7
<i>Other</i>	127	1.3	5	2.1	10	2.0	15	2.1
Total Minority	1,061	10.5	35	14.4	68	13.4	103	13.7
<i>White</i>	5,531	55.1	203	83.9	442	86.3	645	85.5
<i>NA</i>	3,454	34.4	4	1.7	2	0.3	6	0.8
Total	10,046	100.0	242	100.0	512	100.0	754	100.0

Source: ¹PCI Services, Inc., CRA Wiz Software, ²HMDA LAR Data.

The bank's minority application flow was compared with the racial composition of the assessment area. In addition, the application flow was compared to the 2000 aggregate data for all other HMDA reporters within the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's application flow.

According to the 1990 U.S. Census Data, the bank's assessment area contained a total population of 177,716 individuals. Minority individuals in this area account for 8.44 percent of the total population. However, East Boston Savings Bank received a total 13.7 percent

of its loan applications during the period reviewed from minority applicants. Aggregate information for 2000, as shown in the above table, indicated that 10.5 percent of the total applications received from all other HMDA reporters were from minority

applicants. By comparison, EBSB's received 14.4 percent of its applications from minorities during the same time period. Given these numbers, the bank's minority application flow is considered to be strong.

VII. Loss of Affordable Housing

The bank's lending programs that include community development and flexible underwriting has assisted low- and moderate-income individuals to remain in their neighborhoods.

Conclusion Lending Test

East Boston Savings Bank has demonstrated exceptional responsiveness to community credit needs. Although a slight majority of the bank's residential and small business loans are made inside the assessment area the distribution of loans among borrowers of different income levels and businesses of different sizes is very good. In addition, the bank has established a good record within its assessment area of helping to serve the credit needs of low- and moderate-income geographies, both in terms of residential and small business lending. The bank has granted a high level of community development loans and a full array of flexible, government-sponsored lending programs. Based on the aforementioned, the institution's overall lending performance is considered "Outstanding."

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms and activities that revitalize or stabilize low and moderate-income geographies.

East Boston Savings Bank (EBSB) has demonstrated an adequate responsiveness to community housing and economic development needs. The majority of contributions have gone toward the support of non-profit organizations that assist low-and moderate-income individuals and low-and moderate-income neighborhoods, revitalize neighborhoods, and provide youth programs, health and human services, and education and training. EBSB is rated "Satisfactory" in this area.

The bank's investment portfolio, as of December 31, 2001, totaled \$ 228.8 million. This total comprised approximately 36.6 percent of total assets. The investments consist primarily of other marketable securities. Of the total investments, \$1.0 million is considered to be a qualified investment. The following describes the institution's qualified investment.

Qualified Investments

Access Capital Strategies Community Investment Fund, Inc. (ACSCIF): On July 30, 2001, East Boston Savings Bank committed \$1,000,000 to purchase shares in the Access Capital Strategies Community Investment Fund, Inc. (ACSCIF). The ACSCIF is a SEC-registered fund structured as a business development corporation. The primary purpose of the fund is to provide a secondary market and financing vehicle for community development loan originators. The fund invests in private placement debt securities that support affordable housing, education, small business loan securitizations, and other job creating investments within a target region specified by the investing institution. East Boston Savings Bank's designated target region for the investment includes the East Boston section of the City of Boston and the City of Revere both in Suffolk County, and the City of Peabody in Essex County. As of December 31, 2001, the net asset value of the common shares totaled \$1,003,722.

Charitable Contributions

The bank's other qualified investments occur primarily through charitable contributions. In 1998 East Boston Savings Bank established the Meridian Charitable Foundation with approximately \$750,000 in initial funding. As of December 31, 2001 the Foundation had assets totaling \$795,209.

Between January 1, 2000, and December 31, 2001, the bank provided \$151,680 in charitable contributions. These donations were granted through the bank's charitable foundation and direct contributions from the bank. Of the total amount granted, \$100,059 was made to organizations that promote economic development within low- and moderate-income communities or provide services to low- and moderate-income communities or individuals within the assessment area.

Meridian Charitable Foundation

As required by law, the bank's charitable foundation must contribute at least five percent of the fair market value of its assets on an annual basis. As of December 31, 2001, the Meridian Charitable Foundation's (Foundation) assets totaled \$795,209. Qualified contributions made by the Foundation totaled \$35,741 in 2000. For calendar year 2001 the Foundation's grants totaled \$36,368 or 4.6 percent of the Foundation's total assets. All of the Foundation's donations for the two-year period were considered qualified. The following represents a sample of qualified investments made by the Meridian Foundation for the two-year period.

- **Roca, Incorporated Youth Star Program:** This youth service and conservation corporation organized a youth-run HIV/AIDS Drop-in Center to work with the municipalities of Revere and Chelsea to improve the environment, and operate a food pantry. The bank stipulates that the funds are to be used for the low-income, multi-cultural residents of the Shirley Avenue section of Revere.
- **East Boston Social Center-Summer Youth Program:** This non-profit social service organization provides educational, social and recreational activities to meet the needs of children, families and senior citizens of East Boston and surrounding communities. Funds donated by the bank are used for summer camp training for emotional, developmental, learning or physically challenged children. Grants are targeted to be used for the special needs children of low-income families in East Boston, Chelsea and Winthrop.
- **East Boston Social Center-New Joy Old Friends Project:** Funds were donated to this program for the benefit of the non-profit organization's various senior citizens programs. The organization's mission is to promote socialization of low-income senior citizens in East Boston and surrounding communities.

- **Deanna's Fund:** This non-profit organization's primary purpose is to develop and produce educational programs for diverse audiences to promote healthy relationships among peers, partners, families and communities. The project's specific focus is violence prevention in relationships. The targeted population resides in the low- and moderate-income census tracts in Revere and Winthrop.
- **Salesian Boys and Girls Club:** This non-profit organization offers activities for young people between the ages of 7 and 18 years. The purpose of the club is to provide direction and guidance to disadvantaged young people in the Chelsea, East Boston, Revere and Winthrop communities. The club provides a safe environment for youth to participate in various educational, physical, social, and moral development activities. Funds were used specifically for salaries, food and kitchen supplies.
- **Dom Savio Preparatory High School Library Project:** The foundation provided funds for the completion of the non-profit private high school's library automation project. The high school is located in a moderate-income census tract and serves mostly low- and moderate-income students from East Boston, Revere, and Winthrop.
- **National Coalition for Educational and Cultural Programs:** This non-profit agency provides professional training to daycare providers who are unable to afford the costs associated with traditional college courses. In addition to providing training, the organization is a resource for recycled supplies for teachers in the targeted communities of Saugus, Lynnfield, Peabody, Winthrop, and East Boston.

Other Contributions

In 2000 and 2001, EBSB made total charitable contributions of \$34,919 and \$44,652, respectively. The bank contributed a total of \$30,450, or 0.32 percent of pre-tax net operating income for the period January 1, 2000, through December 31, 2001, to qualified community development organizations. The following represents a sample of the organizations that received direct contributions or grants from the bank.

- **United Way of Massachusetts Bay:** The bank is a major supporter of this agency, which supports numerous member and affiliate agencies that provide health and human services to people in need, including individuals within the bank's assessment area.
- **Citizens for Adequate Housing, Incorporated:** This non-profit organization located in Peabody provides emergency and permanent housing for homeless parents and children. After purchasing two multi-family buildings in February 2000 the organization's Communities Land Trust program has worked to provide permanent affordable apartments for homeless families. The bank's donations are assisting the organization in its goal of adding 30 additional rental apartments in three years.

- **North Shore Housing Trust (Trust):** This non-profit corporation is a grassroots initiative whose goal is to implement a strategic plan to create and preserve affordable housing in the North Shore area. The bank's donations assist in the Trust meeting these goals.
- **Consumer Credit Counseling Service:** This non-profit agency counsels individuals experiencing financial hardship and educates consumers about their responsibility in achieving their financial goals. The bank's annual donations assist in this agency's efforts.

Conclusion Investment Test

The bank's investment performance is enhanced by the bank's investment in a fund that promotes affordable housing within the bank's target region. The bank's level of charitable donations exhibits adequate responsiveness to credit and economic development needs within the assessment area. These efforts are primarily through direct contributions and charitable donations administered through the bank's charitable foundation.

SERVICE TEST

The Service Test evaluates a bank's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of a bank's system for delivering retail banking services and the extent and innovativeness of its community development services. Consideration was given to the following: (1) accessibility of delivery systems, (2) any changes in branch locations, (3) the reasonableness of business hours and (4) any community development services. The bank's performance under the Service Test is rated "Outstanding."

RETAIL BANKING SERVICES

The effectiveness of a bank's system for delivering retail banking services is determined by analyzing the accessibility of delivery systems, changes in branch locations and the reasonableness of business hours.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of its assessment area. EBSB has eight full-service offices, including the main office. Five of these offices are located in low or moderate-income census tracts, while the remaining three offices are in middle or upper-income census tracts. The loan and mortgage centers in East Boston, Lynnfield and Boston are located in moderate, upper and moderate-income census tracts respectively.

Census Tract	Branch Location	ATM	Drive-Up
Low	East Boston- Shaw's Supermarket	X	
Moderate	East Boston- Central Square	X	
	East Boston- Loan Center		
	East Boston-Meridian Street (Main)	X	
	East Boston- Orient Heights	X	X
	Revere	X	X
Middle	Saugus- Saugus Center	X	X
	Saugus- Village Park	X	X
	Winthrop	X	
Upper	Lynnfield- Mortgage Center		
Moderate	Boston- North End Loan Center	X	

In addition to the ATMs shown above, the bank has two free-standing non-deposit taking ATMs at Logan International Airport, one located in Terminal C and Piers B & C, which is located in a low-income census tract. Another free standing non-deposit taking ATM is located in Day Square in East Boston in a moderate-income census tract. In addition, a fourth non-deposit taking ATM is located in the Winthrop Market, within a middle-income census tract in Winthrop.

The bank's ATMs are affiliated with the Cirrus, Exchange, NYCE, and Plus networks. With the exception of the Shaw's Supermarket branch, ATMs are available 24 hours a day. The Shaw's ATM is available during the supermarket's business hours only. The bank is a member of the SUM alliance. This service allows the bank's customers surcharge-free use of ATMs operated by other SUM member institutions. In addition, of the 13 branch and freestanding ATMs, 9 have ATM screens that can be displayed in the customers choice of English or Spanish languages. Additionally, U.S. postage stamps are sold at ATMs located in Revere, Orient Heights and the North End.

Bilingual employees are available at all branches, the mortgage center and one of the loan centers. Signs located on desks or at teller stations easily identify bilingual staff. Languages spoken include Cambodian, Cantonese, Italian, Portuguese, Spanish, Tagalog, Toisinese and Vietnamese. A complete list of bilingual employees is maintained at each office.

Reasonableness of Business Hours

Office hours are comparable to, if not more convenient than, other local area institutions. Extended business hours are offered on Thursday and/or Friday evening and Saturday morning at each branch office, with the exception of the main office. The Shaw's branch offers longer banking hours seven days a week including some holidays. In addition, the four branches with drive-up teller service provide extended business hours during the morning and evening.

Alternative Delivery Systems

EBSB offers a variety of alternative delivery systems. These systems include Easy Access Line, Visa Check Card, and a web site. Easy access line is a 24-hour automated telephone information line. This phone system allows customers to obtain deposit account and loan balances, transfer funds between accounts, receive loan product information, obtain current deposit and loan interest rates, and obtain branch locations and business hours. Easy Access Line banking is available in both English and Spanish.

The bank offers Visa Check Cards that allow cardholders to pay for purchases at merchant locations that accept Visa cards. The funds are deducted directly from the cardholder's EBSB checking account at no charge.

The bank's web site, located at www.ebsb.com includes 24-hour Online Banking services. The web site provides a comprehensive overview of all EBSB's personal and commercial banking services. Also, the web site provides online forms and applications that can be printed and returned by mail, facsimile or in person.

On April 17, 2000, the bank introduced "EBSB Online." This internet banking service allows customers to access their account information by way of the internet. Personal account information is available 24 hours a day. Customers can log-in from wherever internet access is available. This service provides customers with account balances, recent transaction information and account history, the ability to transfer funds between accounts, and electronic bill payment.

EBSB accepts deposit accounts from an expanded geographic area that now includes the entire United States. The bank allows accounts to be opened via telephone. The necessary information is obtained from the customer, and the appropriate disclosures and signature cards are then sent by mail in order to complete the transaction. Services that can be performed via telephone and/or mail include: account opening and closing; deposits and withdrawals; loan payments; transfers; and certificate of deposit rollovers.

EBSB also provides free notary public services to all bank customers.

Changes in Branch Locations

On September 11, 2000, the bank opened a loan center in the North End section of Boston. In the continuing efforts to expand its branch network the bank also opened a new office in a middle-income census tract in Peabody in February 2002. This office will include the operations center, executive offices, and a full service branch with a drive-up window and an ATM. In addition, the new office houses residential and commercial loan offices. In conjunction with the opening of the new office the bank has closed its loan center located on Saratoga Street in East Boston.

Overall, the bank's retail banking services are geared to address the needs of all residents within the assessment area, including low and moderate-income individuals.

Other Retail Services

Massachusetts Community Banking Council's (MCBC) Basic Banking Program.

This program was launched in 1994 by the MCBC to expand access to bank products and services and to encourage those with modest incomes to establish banking relationships. The bank offers a Regular Savings and Basic Checking account that meet the program's guidelines.

Electronic Transfer Account. In 1999, EBSB introduced the Electronic Transfer Account (ETA). This account is for customers who receive a federal benefit, wage, salary, or retirement check and have a derogatory NCPS or ChexSystems report, which prevents them from opening a traditional EBSB deposit account or checking account at another financial institution. The ETA requires direct deposit of the federal funds, but does not require a daily minimum balance or minimum to open. The monthly fee is \$3.00, which allows four free ATM transactions with additional transactions at \$1.00 each. It also allows unlimited point of sale transactions.

Business Partners Program. The bank's Business Connection program provides discounts at more than 70 participating local businesses and merchants to any of the over 6,000 EBSB Visa Check Card or EBSB ATM cardholders. This program benefits the customer and supports the local economy by generating new customers for community businesses. Business owners pay no fees or charges to belong to the program. As an incentive to participate in this program, EBSB Business Connection merchants that open new business checking accounts at the bank are assessed no fees for one year.

COMMUNITY DEVELOPMENT SERVICES

East Boston Savings Bank provides a good level of community development services. A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical assistance. Officers and employees of the bank are involved in various local community development and nonprofit organizations. Listed below are some examples:

- Revere Economic Development: The bank's Assistant Vice President/Commercial Loan Officer is a board member. This community organization promotes economic development projects for the city of Revere.
- East Boston Social Center: The bank's Assistant Manager of the Meridian Street branch is a member of the board and speaks both English and Spanish. This social service organization provides educational, social and recreational services to meet the

needs of children, family and senior citizens of East Boston and surrounding communities.

- Citizens for Adequate Housing: The bank's Assistant Vice President of Mortgage Lending is a board member. This organization, located in Peabody, runs two homeless shelters on the north shore and raises funds in order to purchase multi-family properties which they make available for low-income rental to their residents as they transition from homelessness to a home.
- Healthy East Boston Coalition: The bank's Assistant Vice President for Training is a board member and speaks English, Italian and Spanish. This community organization helps to improve and enhance the neighborhoods of East Boston and addresses the issues of violence and health and works on beautification of East Boston areas.
- Crossroad Family Shelter: This is a family shelter that provides temporary housing services for homeless families. The shelter also operates a food pantry that feeds 200 families in East Boston and provides clothing from donations. Crossroads serves homeless families from East Boston, metropolitan Boston and local surrounding communities. Families receive supportive services which include counseling, advocacy, education and training on issues such as parenting skills and early intervention, budgeting skills, nutritional management, job and housing advocacy. Several bank employees are involved with the collection and distribution of the food.

Educational Seminars

Prevention of Financial Exploitation of the Elderly Program

The bank participates in a Massachusetts Bankers Association (MBA) program designed to help protect the elderly from financial exploitation and abuse. This MBA initiative consists of:

- a) a consumer education brochure entitled "Beware of Easy Credit";
- b) the creation of a foreclosure prevention counseling program with the National Consumer Law Center;
- c) a collaboration with the Massachusetts Community and Banking Council on a public awareness campaign on lending scams and;
- d) the development of industry guidelines for subprime mortgage lenders.

All bank employees have been trained on procedures to follow in the event that they suspect an exploitative situation is occurring.

Homebuyer Seminars and Events

During 2000 and 2001, the bank conducted, co-sponsored, or participated in 15 homebuyer seminars and workshops throughout its assessment area.

Conclusion - Service Test

As depicted above, East Boston Savings Bank's systems for delivering retail banking services are accessible to geographies and individuals of different income levels within its assessment area. The bank's officers and employees have provided a relatively high level of service activities and involvement in community organizations primarily for community development purposes and related to the provision of financial services. Many of the organizations that bank management and employees have taken a leadership role in promote economic development or target the revitalization of business communities. Bank management and staff have sponsored and participated in numerous educational seminars. Based on this review, East Boston Savings Bank's overall performance in providing services is considered exceptional.

APPENDIX A

SCOPE OF EXAMINATION

East Boston Savings Bank

SCOPE OF EXAMINATION: The examination included an on-site analysis of all HMDA and CRA reported loans for the period noted below.

Residential aggregate loan data was reviewed during the examination and included comparative loan data of competing institutions. EAST BOSTON SAVINGS BANK has one assessment area, which was reviewed using the large bank examination procedures.

TIME PERIOD REVIEWED: January 1, 2000– December 31, 2001

PRODUCTS REVIEWED: HMDA-reportable Loans and Small Business Loans

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

EAST BOSTON SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JANUARY 22, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

